



# Excise Tax Advisory

Excise Tax Advisories (ETAs) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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## **Camping Clubs Receiving Initiation Fees and Dues Income**

RCW 82.04.4282 provides a deduction from the measure of the B&O tax for "bona fide (1) initiation fees, (2) dues ...". For purposes of determining what income is attributable to and deductible as bona fide initiation fees or dues, subsection (4)(c) of WAC 458-20-183 (Rule 183) provides alternative methods of allocating between taxable and deductible income. Before using one of these methods, a camping club must first show that it receives some income from dues and/or initiation fees solely for the social benefits associated with the privilege of membership and not for services rendered. *See* Det. No. 97-146R, 17 WTD 133 (1998). It is important to note that tax deductions are narrowly construed. *Budget Rent-a-Car of Washington-Oregon, Inc. v. Department of Rev.*, 81 Wn.2d 171, 174, 500 P.2d 764 (1972) and *Rainier Bancorporation v. Department of Rev.*, 96 Wn.2d 669, 638 P.2d 575 (1982).

This ETA explains why this deduction generally is not available to camping clubs. Refer to ETA 2010.04.08.183 for information about how the deduction applies to health and physical fitness clubs.

### ***Background:***

Camping clubs frequently own and operate private campgrounds. In addition to providing campsites for recreational vehicles (with or without electrical, water, and/or sewer connections) and tents, these campgrounds generally provide restroom and shower facilities. Recreational facilities such as swimming pools, tennis and basketball courts, horseshoe pits, and a clubhouse are often provided. Campground staff may also organize activities such as barbeques, movie nights, dances, or sing-a-longs.

Camping clubs generally receive income from their members in the form of initiation fees and dues (monthly or annual), and on occasion "administrative fees." These fees and dues entitle the member to access to one or more of the campgrounds and access to the facilities at the campgrounds.

Camping clubs are not like many fraternal organizations, where people assemble solely to socialize and enjoy the pleasure of each other's company. Camping clubs operate similar to many health or physical fitness clubs. Persons join camping clubs and pay membership dues and fees for the right to use the campsites and other facilities, and may pay more for perceived "high end" facilities.

***The deduction for initiation fees and dues:***

"The purpose of the [initiation fees and dues] deduction is to exempt from taxation only revenue exacted for the privilege of membership." *Automobile Club v. Department of Rev.*, 27 Wn.App. 781, 786, 621 P.2d 760 (1980). The burden to show entitlement to a deduction or exemption from taxation is upon the taxpayer. *Budget Rent-a-Car, Inc. v. Department of Rev.*, 81 Wn.2d 171, 500 P.2d 764 (1972) and *Group Health v. Tax Commission*, 72 Wn.2d 422, 433 P.2d 201 (1967). Thus, a camping club must demonstrate that members pay a portion of their fees and dues solely and exclusively for the privilege of belonging as a member, and not for camping facilities, recreational facilities, and other associated goods and services, to claim a "bona fide initiation fees and dues" deduction.

In Excise Tax Advisory 2010.04.08.183, the Department addressed the "bona fide" initiation fees and dues issue in the context of the health and physical fitness clubs and concluded:

The fact that the club may have parties or other events for its members at no separate charge does not demonstrate that the member pays a portion of his or her dues for social benefits. Merely providing a juice bar or a lounge where members can sit, away from exercise equipment, also does not meet the club's burden of showing that its members pay a portion of their membership fees solely for social benefits, as opposed to access to the club's exercise facilities.

The fact that a camping club may organize activities such as barbeques, movie nights, or other events for members at no separate charge likewise does not demonstrate that the member pays a portion of his or her fees and dues solely for the privilege of being a member. Merely providing a clubhouse where members can watch television, play games, or meet with other members also does not meet the club's burden of showing that its members pay a portion of their fees and dues solely for the privilege of being a member.

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